

MBS & TREASURY MARKETS

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MBS Recap: Is All News Bad News For Bonds? Will CPI Matter?



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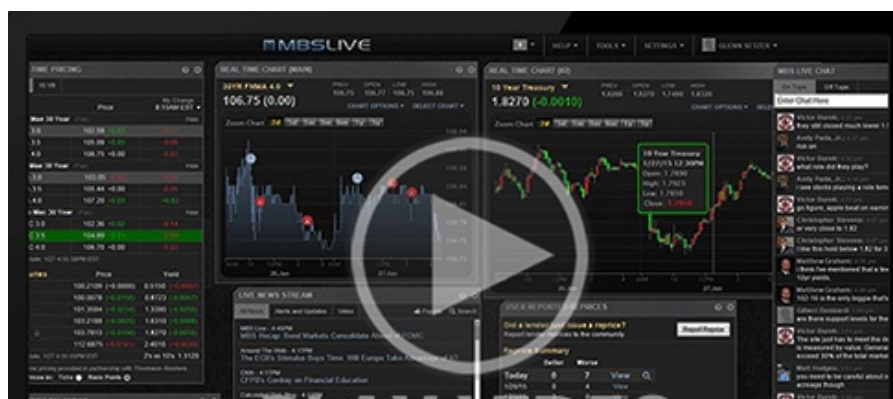
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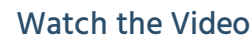


Is All News Bad News For Bonds? Will CPI Matter?

MBS Recap | Matthew Graham | 5:05 PM

At times these day, it may seem like all news is bad news for bonds. Higher tariffs hurt us in mid April, and lower tariffs are hurting us now. There are reasons for the paradox. Higher tariffs initially helped quite a bit, but overly high tariffs caused a liquidation that hurt both sides of the market. The 90 day US/China pause announced this morning leaves tariffs high enough to put upward pressure on rates via the inflation channel, and low enough to rob rates of the bullish impulse from the recession channel. The lack of finality means we're waiting months and months before accurately understanding the impacts, and the big bounce in stocks suggests there's room to unwind previous "risk-off" trades in the meantime.





11:01 AM Yields Jump After Another 90 Day Tariff Pause

2:20 PM Down More Than an Eighth From Highs

4:11 PM Negative Reprice Risk Increasing

4:42 PM

11:14 AM	sharply weaker overnight, but erasing some losses now. MBS still down 6 ticks (.19) and 10yr down 5.6bps at 4.441
02:11 PM	drifting back to weakest levels. MBS down 10 ticks (.31) and 10yr up 7bps at 4.456
04:56 PM	Heading out near the weakest levels with MBS down 3/8ths and 10yr yields up 8.6bps at 4.471

- The week began with an unexpectedly robust temporary truce in the US/China trade relationship. This had the rather simple impact of juicing stocks and hurting bonds. Some traders expect this to be a one-day affair while others can't make a strong case to buy bonds until we know more about economic impacts and inflation. The jury is out until it's in. On more immediate, tactical note, this week's inflation data presents an asymmetric risk with lower readings likely to be dismissed as "too soon to see the tariff impact" and higher readings confirming that tariffs are already doing damage. The caveat is that this logic is obvious enough that it may already be fully priced in.

- **Ceiling/Support** (can be used as "lock triggers")
 - o 4 64

- 4.48
- Floor/Resistance
 - 3.99
 - 4.05
 - 4.12
 - 4.19
 - 4.34
 - 4.40

MBS & Treasury Markets



MBS

- 30YR UMBS 5.5
- 30YR UMBS 6.0
- 30YR GNMA 5.5
- 15YR UMBS-15 5.0

US Treasuries

10 YR	4.470%	+0.085%
2 YR	4.027%	+0.126%
30 YR	4.916%	+0.078%
5 YR	4.120%	+0.123%

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